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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman

BOB STUMP
Commissioner

BOB BURNS
Commissioner

DOUG LITTLE
Commissioner

TOM FORESE
Commissioner

Arizona Corporation Commission

DOCKETED

MAR 16 2015

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL TO REVISE THE RATE
COLLECTED THROUGH ITS DEMAND-
SIDE MANAGEMENT ADJUSTOR
MECHANISM.

DOCKET NO. G-01551A-15-0026

DECISION NO. 74979

ORDER

Open Meeting
March 2 and 3, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest" or "the Company") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. In Arizona, Southwest serves approximately one million customers in the counties of Gila, La Paz, Cochise, Graham, Maricopa, Pima, Greenlee, Mohave, Pinal and Yuma. Of these customers, approximately 980,000 are Residential, while 40,000 are Commercial. Southwest also serves a smaller number of Industrial, Irrigation and Transportation customers.

Current Application

3. On January 30, 2015, Southwest filed an application to lower its Demand-Side Management ("DSM") adjustor rate from \$0.01 per therm to \$0.00838 per therm. If approved by the

Commission, the reset rate would be effective for twelve months, from April 1, 2015, through March 31, 2016.

Background: DSM Adjustor Mechanism and Reset

4. The purpose of the DSM adjustor mechanism is to recover the cost of the Company's Commission-approved DSM programs. Southwest files an application each year to reset its DSM adjustor rate. The DSM adjustor rate is calculated to align it with projected spending for the upcoming year, and to true-up existing over- or under-collections.

DSM Portfolio

5. Southwest currently has five conservation and energy efficiency programs in its Smarter Greener Better ("SGB") portfolio, as approved in Decision No. 74300 (January 29, 2014). The five programs are as follows:

- SGB Homes
- SGB Custom Commercial (Business) Rebates
- SGB Distributed Generation
- SGB Low-Income Energy Conservation
(weatherization and bill assistance)
- SGB Solar Thermal Rebates

The Current Budget

6. Decision No. 74300 also ordered that the annual budget remain at \$4.7 million for Year Three and Year Four of Southwest's Implementation Plan. The requested reset is calculated using the \$4.7 million budget.

The Current DSM Surcharge

7. Decision No. 74409 (March 19, 2014) set the DSM surcharge at \$0.01 per therm. Southwest requested \$0.01003 per therm in its application, but Staff recommended a slightly lower rate of \$0.01 per therm.

Under-collection

8. The under-collected DSM bank balance has resolved to a significant extent. The under-collected balance was \$2,898,443 as of December 31, 2013. As of December 31, 2014, the under-

collected balance was \$821,884 and was projected to decrease to approximately \$221,000 by the end of March 2015.

Calculation of Adjustor Rate

9. The calculations for the Company's proposed DSM adjustor rate are shown in the table below.

Surcharge Calculation	
DSM Balancing Account Balance as of 12/31/2014	\$821,884
Estimated Surcharge Recoveries, January-March 2015	(\$2,292,664)
Estimated Surcharge Accruals, January-March 2015	\$1,691,579
Approximate Under-recovery by end of March 2015	\$220,799
Annual Budget	\$4,700,000
Total to be recovered	\$4,920,799
Less: Low-income Recoveries at \$0.00200 per therm, for 10,261,318 therms.	(20,523)
Non-Low-Income Amount to be recovered	\$4,900,276
Number of Non-Low-Income Therms applicable to surcharge	584,775,930
DSM Surcharge Per Therm	\$0.00838

10. Recovery for low-income customers is limited to \$0.00200 per therm as per the rate case settlement agreement (Decision No. 72723, January 6, 2012). This limitation is taken into account in calculating the per-therm DSM surcharge, as shown in the Surcharge Calculation table.

Recommendation

11. Staff has recommended that the Commission approve a \$0.00838 per therm rate. This rate will cover the costs of the DSM programs while also resolving the remaining unrecovered balance.

Bill Impact

12. The monthly impact of the existing and proposed per therm rates are shown in the tables below. The Summer, Winter, and Annual averages refer to monthly therm usage by Residential customers.

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**Average Monthly Impact of Current Rate
(Residential)**

Period	Therms	Per-therm Rate	Impact
Summer	11	\$0.01	\$0.11
Winter	41	\$0.01	\$0.41
Annual	26	\$0.01	\$0.26

**Average Monthly Impact of Proposed Rate
(Residential)**

Period	Therms	Per-therm Rate	Impact
Summer	11	\$0.00838	\$0.09
Winter	41	\$0.00838	\$0.34
Annual	26	\$0.00838	\$0.22

CONCLUSIONS OF LAW

1. Southwest is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Southwest and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated February 13, 2015, concludes that it is in the public interest to approve the per therm adjustor rate as discussed herein.

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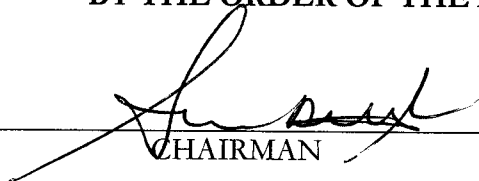
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ORDER

IT IS THEREFORE ORDERED that the Southwest Gas Corporation's Demand-Side Management Adjustor rate be reset to \$0.00838 per therm, effective April 1, 2015.

IT IS FURTHER ORDERED that this Order shall take effect immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

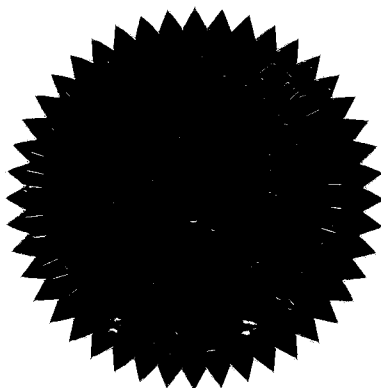

CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 16th day of March, 2015.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:jmk:sms\RRM

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